

1 **DIRECT TESTIMONY OF**

2 **NEVILLE O. LORICK**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

5 **DOCKET NO. 2002-223-E**

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION**
8 **WITH SOUTH CAROLINA ELECTRIC AND GAS COMPANY.**

9 **A.** Neville O. Lorick, 1426 Main Street, Columbia, South Carolina. My position is
10 President and Chief Operating Officer of South Carolina Electric & Gas Company
11 (SCE&G, Company).

12

13 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
14 **PROFESSIONAL EXPERIENCE.**

15 **A.** I have a B.S. in Mechanical Engineering from The University of South Carolina. I
16 began my employment with SCE&G in April 1971 as a student assistant and was
17 hired full time in January 1975 as an engineer. In March 1978, I became the
18 Assistant Plant Manager for our Canadys Station Fossil Steam Plant and in
19 September 1982 was promoted to Plant Manager. In July 1988, I was promoted to
20 General Manager, Fossil and Production Operations. In this position I was
21 responsible for all of the Company's Fossil Fuel Plants and the Fossil Production
22 Corporate Staff. In December 1992, with reorganization, my title was changed to

1 Manager of Production Support. In December 1994, I was named Manager of
2 Operation Services and my responsibilities included the management of support
3 staff and their interface with the Fossil/Hydro Departments. In July 1995, I was
4 promoted to the position of Vice President of Fossil & Hydro Operations. In
5 December 2000, I was elected by the SCANA Board of Directors to be the
6 President and Chief Operating Officer of SCE&G.

7
8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 **A.** The purpose of my testimony is to provide an introduction to the rate request
10 before the Commission. I will generally discuss with you the Company's need for
11 additional revenue in order to meet the service needs of our customers and the
12 economic needs of the Company. Our service needs are primarily reflected in two
13 major generating projects, the Urquhart Repowering Project and the Jasper
14 County Generating Project, and I will update you on our operating history.
15 However, there are also other important capital projects to upgrade facilities, to
16 ensure operational reliability, and to address environmental compliance.

17 Of key importance, I will discuss the Company's Charleston and Columbia
18 franchises. Finally, I will also discuss aspects of the regulatory environment in
19 which the Company exists at the state and federal levels.

20
21 **Q. FROM AN OPERATIONAL PERSPECTIVE, HOW HAS SCE&G'S**
22 **SYSTEM CHANGED SINCE ITS LAST RATE CASE IN 1995?**

1 **A.** We continue to experience residential, commercial and industrial growth in our
2 service area, and we continue to invest funds required to meet that growth. This
3 summer, we experienced three historic highs in peak energy usage. But for the
4 fact that we had just brought our repowered Urquhart unit back on line, this
5 demand would have reduced our reserve margins to 4.1%, an unacceptable level
6 for system reliability. Timing in repowering Urquhart avoided this condition.
7 With the Jasper facility, our reserve margins will be restored to the 12% to 18%
8 we strive to maintain.

9 Since 1995, we have added 63,022 new retail customers and annual
10 kilowatt retail sales have risen by 19%. The net value of our distribution and
11 transmission investment has increased by over \$257 million or 24%. Apart from
12 capital expended on our added generation capacity at Urquhart and Jasper, and
13 with the inclusion of our Cope Plant, our total capital investments in our system
14 have increased over \$692 million or 18%.

15

16 **Q. PLEASE DISCUSS THE COMPANY'S GENERATION CONSTRUCTION**
17 **NEEDS.**

18 **A.** With regard to the construction requirements for expanding our generation
19 capacity, the Urquhart Repowering Project and the Jasper County Generating
20 Plant will provide added capacity essential for our ability to meet an ever-growing
21 customer load and maintain system reliability. By Order No. 2000-544 in Docket
22 2000-170-E, the Commission issued a Certificate of Environmental Compatibility
23 and Public Convenience and Necessity for the Urquhart project. On June 1, 2002,

1 this facility commenced commercial operation. The total cost of the Urquhart
2 Repowering Project is approximately \$253 million, including associated
3 transmission lines and substation.

4 The Company's Jasper County Generating Project, the siting of which the
5 Commission addressed in Docket 2001-420-E, by Order No. 2002-19, is
6 progressing on schedule. Construction at the Jasper Project began in the spring of
7 2002. Commercial operation of this facility is scheduled for May 1, 2004. The
8 total cost of this project will be approximately \$478 million, excluding
9 transmission system improvements, but including Allowance for Funds Used
10 During Construction (AFUDC). Because we are in the early stages of this project,
11 we have included in the rate base proposed in this docket only those expenses
12 associated with Construction-Work-In-Progress (CWIP) to be incurred as of
13 December 31, 2002.

14 Jim Landreth will discuss these capital projects more specifically.
15

16 **Q. WHAT MAINTENANCE CONSTRUCTION HAS BEEN REQUIRED?**

17 **A.** Since 1995, SCE&G has completed several major construction projects as a part
18 of our on-going program to upgrade facilities. These include Fairfield Pump
19 Storage and the installation of a 50MW internal combustion turbine generation at
20 our Urquhart Plant. This upgrade is distinct from the Urquhart Repowering
21 Project.

22 These projects, essential to our continued operating efficiency and the
23 reliability of our system, are addressed in more detail by Mr. Landreth.

1

2 **Q. PLEASE DISCUSS THE COMPANY'S ENVIRONMENTAL**
3 **CONSTRUCTION REQUIREMENTS.**

4 **A.** SCE&G has undertaken several projects at our coal-fired plants in order to
5 comply with air quality regulatory requirements. In 1998, the Company replaced
6 the burners in two of the coal-fired units at McMeekin Station with low Nox
7 burners. We have also made operational modifications to our McMeekin Station
8 including the redesign of the circulating water system and ash collection system.
9 In 1999, low Nox burners were installed in the three units at Canadys Station and
10 a new bag house was also constructed. In 1998, the Company substituted low
11 Nox burners on the two units at our Wateree Station and constructed a carbon
12 burnout unit to reburn flyash. We are also constructing two selective catalytic
13 reactors and baghouses at Wateree. Low Nox burners were installed at Unit No. 3
14 at Urquhart Plant.

15 As you will see in Mr. Landreth's testimony, we have undertaken a number
16 of environmental initiatives since our 1995 rate case, the total cost of which is
17 approximately \$240 million.

18

19 **Q. PLEASE ADDRESS YOUR EXPENDITURES FOR FRANCHISES IN**
20 **CHARLESTON AND COLUMBIA.**

21 **A.** In Docket Nos. 96-281-E and 2002-145-E, respectively, the Commission
22 approved the conveyance of the Company's transit and other assets to the cities of
23 Charleston and Columbia and the cessation of transit operations in those cities.

1 These transfers were integral to the Company's obtaining thirty-year franchise
2 agreements for the right to use streets and public ways (franchise rights) to
3 provide electric and gas service to residents of these two municipalities.

4 With reference to the Charleston transfer, for over one hundred years,
5 SCE&G, or its predecessors, provided public commercial transportation services
6 for the City, as a part of franchises granted to it by the City. After several
7 extensions of its then-existing franchise, in 1996, the Company negotiated a new
8 thirty-year franchise. Pursuant to the essential elements of this agreement: (a)
9 SCE&G transferred to the City all of its assets which the City will use in operating
10 the transit system in the City, including approximately 7.169 acres of real property
11 located at Leeds Avenue in North Charleston and the maintenance facility located
12 there; (b) SCE&G made a total payment to the City of \$25 million payable in
13 seven equal annual installments; (c) the Company will provide, and pay a part of
14 the cost of, certain non-standard services including the location of lines
15 underground.

16 As of June 30, 2002, the value of the Charleston franchise is \$26.1
17 million, and the annual amortization expense is \$1.1 million.

18 As to the Columbia transfer, the Company, and its predecessors have
19 provided public transit service to the residents of this City for many years, as
20 reflected in the opinion of the South Carolina Supreme Court in *State ex rel.*
21 *Daniel, Attorney General v. Broad River Power Co.*, 157, S.C. 1, 153 S.E. 537
22 (1929). Pursuant to the terms of a Conveyance Agreement between the Company
23 and the City, and the City's implementing ordinance, the Company will receive

thirty-year franchise rights with the City and, in turn, the Company and the City agreed: (a) the Company will convey to the City all of SCE&G's assets directly and principally related to the transit system, including approximately 6.98 acres of real property on Huger Street in the City; (b) the Company will make a total payment to the City of \$15 million payable in four equal installments within the first year after the closing of this transaction; (c) the Company will make a payment to the City of \$17.29 million payable in seven equal annual installments, payable on the first anniversary of the closing date and each anniversary thereafter until payment in full; (d) the Company will make a payment of \$3 million to Central Midlands Council of Governments as a local match for Federal Transit Administration grants for the purchase of new transit coaches and a new transit facility; (e) subject to the approval of the Federal Energy Regulatory Commission (FERC), the Company will convey to the City all of SCE&G's assets which are directly and principally related to the Columbia Canal Hydroelectric Project, which is designated as FERC Project No. 1895, including the FERC license and the real property owned by SCE&G located within the project boundary; (f) the Company will pay for certain capital and pre-construction expenses associated with facilities which FERC may require to be installed at FERC Project 1895, as conditions for renewal of the license for the Project; (g) the Company will take all of the electrical output from the Columbia Canal Hydroelectric Project during the term of its franchise with the City and deduct from any monthly charges to the City for the City's electric service an amount equal to a credit for such electrical output according to a formula described in the Conveyance Agreement (The City

1 has publicly stated that these electric savings will be used to support public
2 transit); (h) the Company will provide and pay part of the cost of other non-
3 standard service including the placement of electric lines underground.

4 The net book value of the Columbia Canal Hydroelectric Project is \$3.4
5 million. The total book value of the other personal and real property to be
6 transferred by SCE&G to the City is approximately \$1.7 million. The total cost
7 associated with the renewal of the FERC license for Project 1895 is estimated to
8 be approximately \$4 million. SCE&G has incurred or will incur certain other
9 costs of approximately \$1 million related to the transfer of the Transit System and
10 FERC Project 1895. The closing on this transaction is pending.

11 **Q. PLEASE ADDRESS THE IMPORTANCE OF THE COMPANY**
12 **OBTAINING A THIRTY-YEAR FRANCHISE WITH EACH OF THESE**
13 **MUNICIPALITIES.**

14 **A.** I cannot overemphasize the importance of these two franchises to our system.
15 Columbia and Charleston are the two largest and most densely populated cities in
16 SCE&G's service area. The population of these municipalities account for
17 approximately 17% of our system and is growing, particularly as a consequence of
18 municipal annexation. Maintaining franchises in these two cities is critical to the
19 viability of our system and critical to the affordability of rates for all of our
20 customers whom we serve throughout our service area. A loss of our franchises in
21 either of these cities would have a devastating impact on our remaining
22 ratepayers. The viability of these franchises and our ongoing good relations with

1 each of these municipalities were inextricably linked to resolution of the long-
2 existing public transit aspect of our franchises.

3 **Q. PLEASE SUMMARIZE THE NEGOTIATIONS THAT TOOK PLACE**
4 **FOR THESE FRANCHISE AGREEMENTS.**

5 **A.** In Charleston, our franchise with the City expired in 1992 and was extended
6 several times during our negotiations with the City. A renegotiated franchise
7 agreement was, therefore, crucial. Resolution of the transit issue enabled that City
8 to pursue its desired role in public transit and achieve other objectives for its
9 waterfront, including the development of its premier aquarium. Furthermore, the
10 Charleston franchise agreement included franchise rights on Daniel Island, a
11 developing area, the land mass of which is larger than the Charleston peninsula,
12 itself.

13 In Columbia, transit issues for years had been a source of disagreement
14 between the City and the Company regarding the quality and scope of service.
15 The City-Company relationship had deteriorated from the days when we were an
16 essential partner in the City's downtown redevelopment to one in which the City
17 made clear to us that municipalization of the electric system was being seriously
18 considered. Indeed, the City retained a consultant for this purpose. This was a
19 threat which we took very seriously and was one which would have been fraught
20 with financial and legal issues which would have been costly to the Company and
21 the City and the outcomes of which were far from clear.

22 Based on the foregoing, we successfully conducted extensive negotiations
23 with the leadership of Charleston and Columbia which resulted in the Company's

1 obtaining thirty-year franchise rights and permanent resolution of the public
2 transit issues. These negotiations were arms-length and, I must say, sometimes
3 tense and trying. Nevertheless, based on what we believe are sound business
4 judgments, we have emerged from these negotiations with results which serve the
5 best interests of our customers and our Company.

6 Finally, let me make some observations from a public point of view. It has
7 been generally believed that the limited nature of transit service, designed to
8 satisfy the Company's franchise responsibilities to the respective municipalities,
9 has precluded the development of a more broadly based, regional service. This, I
10 believe, is the real need which public transit should address. Moreover, from the
11 Company's perspective, transit had become a costly operation particularly when
12 one considers that it is a corporate function and responsibility which has long not
13 been an integral part of the utility services which the Company provides. The
14 days of electric street railways are in a past which few of us remember. With the
15 transfer of these assets and termination of the Company's responsibilities, both
16 cities are now able to address public transit for their citizens, residents, and
17 commuting workforce in ways they deem appropriate, including the creation of
18 regional authorities to better serve the public interest. This has been the direction
19 taken in Charleston and is the direction underway in Columbia.

20 SCE&G proposes to include in rate base the consideration provided to the
21 cities of Charleston and Columbia in exchange for thirty year (30-year) service
22 franchises, and to include in expenses approved for recovery through rates set in
23 this proceeding the amortization of the balances over thirty (30) years. The

1 Charleston and Columbia franchises are being accounted for as approved by the
2 Commission in Docket No. 96-281-E, Order No. 96-769, and Docket No. 2002-
3 145-E, Order No. 2002-521, respectively.

4
5 **Q. PLEASE DESCRIBE RECENT CHANGES IN THE ELECTRIC**
6 **INDUSTRY AND ANY IMPACT WHICH THEY HAVE HAD ON SCE&G.**

7 **A.** As you know, over the past decade, the Federal Energy Regulatory Commission
8 (FERC) has attempted to expand its jurisdiction and regulation of the electric
9 industry. Generally, FERC has attempted to restructure the traditional utility
10 model. One main vehicle FERC has attempted to use to achieve its objectives is
11 the formation of regional transmission organizations (RTOs). SCE&G, of course,
12 was not insulated from these RTO efforts, and worked with neighboring utilities
13 Duke Power Company and Carolina Power & Light to create the GridSouth RTO.

14
15 **Q. PLEASE EXPLAIN THE DEVELOPMENT OF THE GRIDSOUTH RTO.**

16 **A.** On December 20, 1999, FERC issued its Order No. 2000 which required utilities
17 regulated by FERC to file a plan to join or form an RTO that would be operational
18 by December 15, 2001, or provide an explanation as to why this could not be
19 accomplished. Order 2000 was a major step by FERC in its progression to
20 expand the U.S. electricity markets and to provide FERC greater regulatory
21 controls over the transmission business. It continued and increased the initiatives
22 begun by FERC Order 888. Consequently, the industry undertook efforts to form
23 RTOs. Utilities and stakeholders actively advanced with RTO filings for the

1 Midwest RTO, the Alliance RTO and GridFlorida. The Texas (ERCOT) ISO,
2 Pennsylvania-New Jersey-Maryland ISO, the California ISO, and the power pools
3 and ISOs of New England were already in place. Pressure to join an RTO was
4 mounting.

5 In response to these initiatives, SCE&G had been studying the possible
6 structure of RTOs and determined that the most desirable alternative for its
7 transmission business was the formation of a "Carolinas" RTO. SCE&G felt that
8 an RTO covering the North Carolina-South Carolina region would best suit
9 SCE&G customers and shareholders for the several reasons. The RTO would be
10 focused in its scope and, therefore, would be attuned to the customer and system
11 needs for the Carolinas. SCE&G also believed that its cooperation with Duke and
12 CP&L would provide a smooth transition to the functioning of an RTO, since the
13 three companies have a long and positive history of operating their systems in
14 concert. Thus SCE&G, Duke Power and Carolina Power & Light joined efforts to
15 form the GridSouth RTO.

16 The GridSouth RTO filing was filed by SCE&G, Duke and CP&L to
17 FERC. Pursuant to the filing, the three utilities were to retain system expansion
18 planning for the Carolinas, native load concerns would be preserved, and the
19 South Carolina PSC and North Carolina Public Utilities Commission would retain
20 jurisdiction over retail electric service, including the transmission component.
21 The GridSouth proposal also seemed to accomplish FERC's articulated objectives,
22 since it would eliminate the possibility of "pancaked" transmission rates in the

1 Carolinas, would provide a centralized operations center for the systems, and
2 would establish an "independent" transmission operator.

3 The Companies made their GridSouth filing on October 16, 2000, and
4 FERC gave conditional approval for the RTO in March 2001. FERC's
5 consideration of the GridSouth proposal was interrupted by the commencement of
6 the regional mediations begun in the summer of 2001 by FERC, and the three
7 companies examined and considered some modifications to the original
8 GridSouth filing to accommodate federal, state and stakeholder interests.

9 In order to meet FERC's mandated December 15, 2001, date, the three
10 companies worked to physically and operationally assemble the planned
11 GridSouth entity during the period Fall 2000-Spring 2002 given the commitment
12 of other utilities in the region to form an RTO and the general industry direction.
13 Land was procured and a facility constructed in Fort Mill, S.C. The companies
14 desired to preserve placement of the GridSouth business in the Carolinas to
15 provide investment, infrastructure and jobs, and its offices were located in our
16 state. Operating systems and related hardware, software, and other system
17 supports, and the related design and installation of these systems were contracted
18 for and pursued. Some staffing was commenced. Throughout this process, the
19 companies controlled costs and made efficient decisions regarding building the
20 RTO system and worked diligently in their efforts to meet FERC's established
21 December 15, 2001 date.

22 Notwithstanding FERC's apparent regulatory objectives under Order No.
23 2000, and the efforts of SCE&G to meet those objectives, a change in the

1 leadership at FERC resulted in a dramatic change in that agency's regulatory
2 objectives. The formation of GridSouth became no longer consistent with the
3 nation's transmission requirements as envisioned by new FERC Chairman Pat
4 Wood and others, and on June 18, 2002, the GridSouth RTO project was
5 suspended.

6
7 **Q. WHY WAS THE GRIDSOUTH PROJECT SUSPENDED?**

8 **A.** Dramatic shifts in FERC policy towards RTOs, and towards matters of
9 state/federal jurisdiction, caused the three utilities to decide to slow down, and
10 ultimately suspend, the GridSouth project. The three companies were concerned
11 with the FERC's inconsistent direction for RTO structuring. For example,
12 Chairman Wood announced an initiative to issue a "giga-NOPR" (Notice of
13 Proposed Rulemaking) to deal with RTO, transmission and market issues. The
14 FERC has now issued its Standard Market Design (SMD) NOPR in July 2002.
15 Although FERC has not withdrawn Order 2000, it has dramatically altered the
16 path being followed by SCE&G through GridSouth. FERC's SMD effort would
17 expand FERC's regulatory reach and raises many more questions than it answers.
18 Until the regulatory future becomes more certain, the structure, operational
19 requirements, and responsibilities of RTOs, particularly one like GridSouth, are
20 virtually unknowable. There is great concern in regulatory and legal circles today
21 about FERC's efforts to expand jurisdiction over matters historically regulated at
22 the State level, and about its one-size-fits-all approach to regional transmission
23 structures. There is also concern that FERC's approach to regional structures is

1 premised on the disappearance of vertically integrated utilities like SCE&G is
2 today.

3
4 **Q. SHOULD THE COMPANY'S EXPENDITURES ON GRIDSOUTH BE**
5 **RECOVERED AT THIS TIME?**

6 **A.** Yes. SCE&G's participation in GridSouth was for the express purpose of
7 maintaining local control in, and a local presence for, the entity running the
8 electric transmission grid in the Carolinas. That participation was a prudent and
9 logical response to the FERC objectives at the time. Indeed, in Order 2000 the
10 FERC put tremendous regulatory pressure on utilities to undertake the formation
11 of an RTO. Also, it is no secret that the formation of an RTO in the Southeast has
12 been a prime objective of the FERC for the last few years.

13 Given these pressures and the changing environment at the FERC,
14 SCE&G's actions to implement and ultimately to suspend the GridSouth initiative
15 were based on its interest in being responsive to FERC's early objectives while at
16 the same time preserving State jurisdiction and local control over regional
17 transmission. I believe our efforts were a prudent response to those regulatory
18 objectives, and, thus, it is reasonable for the Commission to find that SCE&G's
19 involvement in GridSouth was prudent and the costs expended fully recoverable.

20
21 **Q. PLEASE DISCUSS THE RELATIONSHIP BETWEEN THE COMPANY'S**
22 **REQUEST FOR ADDITIONAL REVENUE AND ITS ABILITY TO MEET**

1 **THE SERVICE NEEDS OF ITS CUSTOMERS AND THE ECONOMIC**
2 **NEEDS OF THE COMPANY?**

3 **A.** I have outlined for the Commission the major capital needs which the Company
4 must address in these proceedings. Each is either essential to the Company's
5 ability to reliably meet the needs of our industrial, commercial and residential
6 customers or to meet the requirements of those regulatory agencies to which we
7 are responsible. In many cases, the needs address both. We are entering a time in
8 the life of the Company in which we will be required to make significant capital
9 investments beyond those which can be funded internally. As we attempt to
10 access capital markets and obtain favorable terms to finance our capital needs, we
11 need to negotiate from a position of financial stability. By that I mean that we
12 must maintain our Single-A rating for senior debt, and we must present an
13 appealing investment opportunity when we take new shares to the market. In
14 order to be able to reasonably acquire capital in the debt and equity markets, a
15 picture of strong financial health and a stable regulatory environment is
16 imperative. At the heart of this health is the rate relief we seek in this Docket.
17 Our Chief Financial Officer, Kevin Marsh, and witnesses, Dr. Burton Malkiel and
18 Mr. Thomas Osborne, discuss in detail the capital markets and the critical return
19 which SCE&G must realize. Importantly, Mr. Marsh also recounts our past
20 regulatory history before this Commission, the regulatory climate which you have
21 created and in which our Company has historically operated, and the significant
22 benefits enjoyed by our customers, the Company, itself, and our shareholders as a
23 result of your oversight.

1

2 **Q. PLEASE DISCUSS YOUR EFFORTS TO ENHANCE OPERATING**
3 **EFFICIENCIES AND MINIMIZE COSTS.**

4 **A.** As we have addressed in every rate proceeding with which I am familiar, and as
5 we consistently assure the Commission, the Company continues to strive for a
6 high-level of efficiency and lower costs. These efforts are reflected in the
7 operating efficiency of our generating facilities (despite the age of some of our
8 facilities), and the diligence of our maintenance programs. Moreover, in our
9 annual fuel cases before the Commission, we report to you on the operating
10 efficiency of our power production units. I continue to be very pleased with the
11 standards of excellence maintained in our operational performance. Jim Landreth
12 addresses these subjects in more detail in the context of the test year.

13 We have also achieved operational excellence and obtained efficiencies in
14 our transmission and distribution systems. For example, the company has
15 implemented a Geographic Information System (GIS) which has greatly enhanced
16 our ability to locate facilities, and it has helped us in our T&D planning efforts.
17 We have restructured our line crews by, in many cases, going from 3 and 4 person
18 crews to a 1 or 2 person unit. This has enabled us to reduce operational costs and
19 enhanced our response to service calls. Moreover, it has required our employees
20 to develop multiple skills, all of which have contributed to our ability to do more
21 with less.

22 SCE&G has also placed an increased emphasis on the always important
23 issue of safety. This effort has contributed to the company's Accident Frequency

1 Rate dropping from 4.89 in 2000 to 2.96 in 2001 and has led to a more productive
2 workforce.

3 SCE&G has also refined construction practices to take advantage of joint
4 projects between our gas and electric services where possible. This has led to
5 reduced installation costs for many projects.

6 Finally, we continue to refine and improve our efforts to respond to
7 hurricanes and other storms. As you recall, SCE&G received acclaim in the
8 utility industry for our response to Hurricane Hugo. Many utilities have adopted
9 our emergency practices and procedures as a result of our performance in that
10 experience.

11
12 **Q. ARE THERE ANY OTHER MATTERS YOU WISH TO DISCUSS WITH**
13 **THE COMMISSION?**

14 **A.** Yes, there is additional information of which I want you to be aware. While this
15 information is not reflected in a particular line item in our request to you, I believe
16 these initiatives have intangible benefits in the way we do business and for our
17 state. For example, from a state perspective, we continue to be actively involved
18 and support economic development activities. Over the last five years, we have
19 been involved in business location and expansion in our service area involving
20 over \$3 billion in new investment and creating almost 21,000 new jobs. Notable
21 among these businesses are Bridgestone Firestone in Aiken County (800 jobs),
22 PBR in Lexington County (400 jobs), Robert Bosch in Dorchester County (400

1 jobs), Siemens/Navistar in Richland County (500 jobs), and American LaFrance
2 in Charleston County (1,600 jobs).

3 Perhaps most important to us as a Company, is how we are viewed by our
4 customers. I was very pleased that TQS survey results released in August
5 reflected that SCE&G scored highest in the nation in five of seven categories
6 considered by large electric customers. TQS, Inc., is an entity that surveys large
7 customers annually regarding utility performance. The Company's overall
8 customer satisfaction score was 85% up from 83% in 2001. In July 2002,
9 SCE&G received the highest customer satisfaction marks of any investor-owned
10 utility in a study released by J.D. Power and Associates, based on a 12-state
11 (Southern Region) survey. Also in July 2002, Platts Research and Consulting, in
12 conjunction with *The Response Center*, released the results of a nationwide survey
13 of residential customers' satisfaction with utility call centers, covering three
14 different typical calls: new service or transfer of service, electric outage, and
15 billing issues. SCE&G was one of four utilities (another being its sister company,
16 PSNC Energy), which rated highest in overall call satisfaction.

17 I am very proud of our Company's Personal Leadership Program. This
18 program, open to all employees, not only benefits our people in their roles and
19 opportunities within the Company, it also serves them well in their communities.
20 At one time we established a mentoring program for employees. It worked well.
21 In fact, so well that it has become a part of the culture of the Company and no
22 longer has separate program identity.

1 I continue to be pleased with the racial and gender diversity among our
2 employees in all levels of the Company. I believe that SCE&G is an equal
3 opportunity employer in which equal opportunities are a reality and not just a
4 slogan, and we are committed to continued progress in this area.

5 The operating successes which I have discussed with you don't happen in a
6 vacuum. They are the result of a well-trained, skilled workforce which derives
7 personal satisfaction from the work they do every day.

8
9 **Q. DO YOU HAVE ANY OTHER COMMENTS OR OBSERVATIONS?**

10 **A.** Yes. Our last rate case was in 1995. There we presented our case to you, and you
11 approved a 12% rate of return which enabled us to reasonably meet the needs of
12 our customers. Mr. Marsh recounts in his testimony numerous examples of the
13 significance of your decisions on the well-being of the Company and our
14 customers. This is the historical context in which we come to you in this
15 proceeding, appreciative of your past regulatory decisions and confident that the
16 pragmatism of this regulatory environment will find our proposals well-reasoned
17 and amply supported by the evidence.

18 In making these requests today, I want to assure you that our highest
19 priority continues to be our responsibilities to our customers. Large and small,
20 they must be able to depend on us for reliable, affordable service. We continue to
21 believe that this service can be best and most responsibly provided by a company
22 such as ours, which can control the totality of its operations through vertical
23 integration. This does not mean that we will not avail ourselves of external

1 advantages which are beneficial to our customers and the Company. It does
2 mean, however, that we will continue to be self-reliant in our efforts to control our
3 own destiny as a public utility serving the people of South Carolina.
4

5 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

6 **A.** Yes.
7
8
9

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